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SUBJECT: IRAN'S UNIMPRESSIVE REGIONAL ROLE

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[B. B\)](#) BAKU 739
[C. C\)](#) BAKU 478
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[E. E\)](#) BAKU 227
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[J. J\)](#) AKTAU 1539

Classified By: P01/Econ Chief Rob Garverick,
reason 1.4 (b) and (d)

Summary

[¶1.](#) (S) This cable deals with Iran's political effectiveness as a state player in the Caucasus and Caspian region. Baku observers see Iran's current regional activities as anti-Western, reactive, entirely self-focused, and frequently driven by an opaque and unpredictable decision making process outside formal government structures - an indefinitely delayed tri-national railway project serves as a case study. Iran's record of grandiose policy statements and commitments not followed up by action, lack of cooperativeness, and relative unpredictability have undermined its credibility and reliability as a partner, and contributed to its image as a state from which little worthwhile can be gained.

[¶2.](#) (S) One result is that Iran currently possesses minimal ability to effectively advocate its interests, project meaningful political or economic influence, develop significant economic links, or shape regional political and economic trends and debates. Such regional clout as it has is negative, e.g., its ability to block progress on Caspian seabed delimitation. Despite its unimpressive short-term achievements, most Baku commentators believe that Iran desires and anticipates significantly increased regional clout in future, perhaps buttressed by nuclear weapons. End Summary.

Iran's Regional Influence

[¶3.](#) (S) This cable is the product of observation of Iranian recent policy interactions in the Caucasus and Caspian region, including local assessments of its regional goals and ability to effectively interact with regional governments and influence their deliberations. A large number of conversations on Iran's regional role between Baku Iran watcher and a variety of local sources, including a former National Security advisor; a former Ambassador to Iran; two serving Deputy Ministers; a leading Azerbaijani Iran

specialist; a regional energy economist; Iranian and third-country Iran business contacts; and others.

Iran and the Caucasus

¶4. (C) Baku interlocutors see Iranian strategy in the Caucasus as ambitious in the long term, conflicted in the short term, and governed by a dynamic interplay of domestic political, economic, and historical factors. Iranian rulers enjoyed direct rule or dominance over Azerbaijan, Georgia, and Armenia for nearly two thousand years until the nineteenth century, and Tehran has not forgotten this fact. Far more ethnic Azeris live in Iran than in Azerbaijan, and Iran has a significant and ancient Armenian minority. Post has documented significant Iranian efforts at long-term influence-building in Azerbaijan that are anecdotally being replicated to a lesser extent elsewhere in the region (see refs - Iran's evolving bilateral political and economic relations and tensions with Azerbaijan will be examined Septels).

Energy Corridors: Just Go Away

¶5. (C) Interlocutors agreed that Iranian economic experts are well aware of the growing potential of the three Caucasus countries as energy and transportation corridors to Russia and Western Europe, recognizing in this both an attempt at isolation if Iranian participation is excluded (a stick), and a potential for economic benefit if Iranian participation in and connections to these corridors is welcomed (a carrot). At the same time, most opine that the Iranian leadership is suspicious of these projects (e.g., Nabucco) as promoting Western interests and influence, and on balance would prefer that nothing came of them. This allegedly contributes to an unclear Iranian policy stance. A prominent regional energy forecaster argued to Iran watcher that the current Iranian leadership is unmoved by most potential economic benefits/carrots, but does believe that its international political leverage and security will improve if it can become a significant supplier of gas to Europe.

¶6. (C) The 2008 Russian invasion of Georgia cast a shadow over security and stability in the Caucasus. For several months after the Georgian invasion Iran attempted to assert a position as a key regional player with a significant role to play in stabilizing the region. A former GOAJ National Security Advisor and a former GOAJ Ambassador to Iran both opined that Iran interpreted the Russian invasion as overall favoring Iranian interests. He explained that Iran sees Russian "ousting" of the U.S. and the West from the Caucasus as it sees Russia's regional goals (energy and national security) as more limited than the West's. Moreover, he argued, Iran is convinced that Russian influence will eventually decline, and believes that reducing Western presence in the Caucasus facilitates Iranian security and influence projection in the region and Central Asia.

Iran's "Me-Too" Initiative

¶7. (SBU) Iran intermittently attempts to insert itself more aggressively as a player in the Armenia-Azerbaijan/Nagorno Karabagh issue, adopting a publicly dismissive stance towards the Minsk Group (Russia, France, and the USA) that are the official mediators between Azerbaijan and Armenia. In a typical example, the Iranian Ambassador to Azerbaijan told an Azerbaijani TV audience in January that they should look to Iran, not the Minsk Group, for progress on NK: "(unlike Iran) the Minsk Group doesn't care about the welfare of this region. It only serves the (selfish, big power) goals of its three members."

¶8. (C) Iran was not included as a notional member of Turkey's September 2008-proposed "Caucasus Stability Pact."

Iran responded to the clearly perceived snub by sending Foreign Minister Mottaki on a flurry of visits to Moscow, Baku, Yerevan and other capitals to lobby for its own (never actually defined) Caucasus security plan. Senior GOAJ interlocutors laughingly characterized Iran's Caucasus efforts as unimpressive "me-tooism" and catch-up to the Turkish initiative (ref i). In June, 2009 a former National Security Advisor told Baku Iran watcher bluntly that "Iran has no meaningful political influence either here or in Armenia, which looks completely to Russia."

Caspian Issues

¶9. (C) Sources assess Iran's Caspian region political clout as essentially negative. It is not a leading trading partner of any Caspian state (exceeded in all cases by Turkey), and displays few signs of positive influence on economic and political policies of neighboring states. The exclusion of Iranian observers from the recent Astana conference of the four other Caspian states, in the face of publicly and privately voiced Iranian resentment (refs b and j), speaks volumes. Similarly, Iran's views and/or possible reaction to the possible joint use of Azerbaijan's Qabala radar station by the U.S. and Russia to monitor Iran were not even mentioned in recent comments to Post on Qabala by the GOAJ Foreign Minister (ref a). While "positive" impact may be lacking, Iran does exercise some perceptible "negative" influence in the region, e.g., through its role in helping block a solution to the Caspian Sea demarcation issue, and in contributing to the emergence of a regional arms race.

Stymied Seabed Delimitation...

¶10. (C) Iran and the other four Caspian states do not have an agreement on their Caspian Sea borders, and this remains a source of tension. Iran's position, that the Caspian Sea and Seabed be equally shared by all five states, or alternatively, divided up with twenty percent shares for all, appears to many non-Iranians as primarily an effort to gain control over potential oil prospects, and is not supported by any of the other four nations. (Note: Azerbaijan, Russia, and Kazakhstan have signed bilateral and trilateral Caspian demarcation agreements, unrecognized by Iran; Turkmenistan is also a demarcation holdout. End Note.)

Sparks Fears of a Future Confrontations

¶11. (C) In a March 13, 2009 meeting with the Ambassador a seemingly frustrated GOAJ Foreign Minister Mammadyarov noted that no progress was made with Iran on the Caspian delimitation issue during his recent meeting with Iranian Foreign Minister Mottaki. This is consistent with the persistent lack of progress on this issue since 2004. On the bright side, Mammadyarov reported that he received assurances from Minister Mottaki that the Iranian semi-submersible Alborz oil exploration rig, the biggest in the Middle East, will not be deployed in disputed Caspian waters, and Deputy Foreign Minister Khalafov recently reiterated GOAJ confidence that this issue has disappeared for now. The possibility that the Iranians may one day move this rig into such waters (e.g., the Alov oil prospect, from which an Azerbaijani-licensed BP survey vessel was evicted by Iranian naval forces in July, 2001) remains of concern to the GOAJ.

And a Mini-Arms Race

¶12. (C) Iran's ongoing expansion of its Caspian air and sea capabilities, along with larger Russian expansion and modernization, is causing increased nervousness in Azerbaijan, and is another potentially troubling regional development. Kazakhstan and Turkmenistan are now acquiring their own first-time navies, presumably to protect offshore energy interests. Though no state seems to want this, a Caspian mini-arms race (or desire for foreign bases) remains

a possibility as long as seabed demarcation and other tensions remain.

Case Study: the Tri-Country Railroad

¶13. (C) A potentially highly profitable and economically stimulating tri-country railroad linking Iran with Russia and Europe through Azerbaijan could have a significant impact on Iranian and regional commercial, economic, and political relationships. Although the proposal has been around for many years, it picked up steam in 2007, following the signing by the parties of two MOUs, and subsequent Russian commitments to underwrite a feasibility study and assist with funding. Nonetheless, due to an alleged lack of Iranian cooperation and follow-through, the project is currently going nowhere.

¶14. (S) The GOAJ Deputy Ministers of Transportation and Foreign Affairs separately asserted that, despite repeated public endorsements, in practice Iran is (seemingly inexplicably) blocking the project. Among other examples, they noted that Iran refused to cooperate on the feasibility project and at the last minute refused to attend a long-scheduled December 2008 three party project meeting in St. Petersburg, offering no explanation. Comment: Iranian diffidence on this project is particularly surprising as Iran was initially (1990's) the chief promoter of the rail link, and Iranian articles and official statements continue to endorse the link. The former Ambassador to Iran claimed that the proposal for building the tri-partite rail link "came up in almost every discussion I had" with the Iranian government. End Comment.

¶15. (S) According to GOAJ sources, the major purported sticking point cited by the Iranians is their alleged inability to come up with the estimated 300 million Euros needed to build the necessary Rasht-Astara connection to the rail line. According to the two Deputy Ministers, Iran has been unresponsive to a variety of Russian offers to arrange favorable loan terms, or otherwise overcome this financial obstacle, and the GOAJ commentators expressed skepticism that financing is really the main obstacle. The Deputy Foreign Minister related that the Iranians have instead proposed that Russia and Azerbaijan complete their portions of the proposed railroad, while Iran builds only a two kilometer border link, at which point all cargo would be unloaded onto trucks and transported to Rasht. He stressed that the GOAJ has "absolutely no interest" in pursuing this solution.

¶16. (S) Speculation offered by local sources on Iran's true motive for delaying the project include Iranian sensitivity over connecting Azerbaijan with Iranian Azerbaijan; related possible Iranian interest in constructing a rail connection via an alternate Armenia route; domestic Iranian opposition by trucking interests; internal Iranian disputes over how to divide the potentially rich commercial pie; association of the project with out-of-power political factions; and/or high level Iranian suspicion that, (as the Deputy Foreign Minister put it) "one day Russian soldiers might ride the train into Iran." (Comment: Iran has also announced intentions to establish several other new international cargo rail links, including Pakistan-India and Turkmenistan-Kazakhstan-China. For a variety of reasons, all of these projects are moving forward slowly, if at all. End Comment.)

Comment: Short-Term Reality; Long-Term Goals

¶17. (C) Baku interlocutors see Iran's short-term regional strategic attitudes as zero-sum, anti-Western, reactive, and frequently driven by an opaque decision making process outside formal government structures. Iran's fluidity has undermined its credibility and reliability as a partner, and contributed to its image as a "heavy" from which nothing positive can be gained. Iran's ability to influence important political or economic policy problems and

deliberations in the region (as opposed to blocking progress on limited issues) is minimal, and dwarfed by Russia.

¶18. (S) Despite this unimpressive current situation, few sources doubted the existence of significant Iranian ambition for and expectation of greater regional power and authority in future. One basis cited for this belief is an asserted Iranian confidence in the superiority of their culture and system to other alternatives; Iran's alleged hopes for its game-changing emergence as a nuclear power is claimed by some as another. In that context, no interlocutor thought that Iran can be permanently dissuaded from acquiring nuclear weapons, or doubted that this acquisition would have a significant, if still unclear, impact on the region. End Comment.

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